

AR52

Calvert-Dale
ESTATES LIMITED



1966
Annual Report

FLOWERS OF DISTINCTION



Mr. J. E. Calvert making a personal inspection of a greenhouse of fine chrysanthemums.

President's Report

The Company's total earnings for the year amounted to \$45,557 which include profit on sale of land of \$35,987. Despite earlier expectations the past year has not been satisfactory in regard to operating profits, which declined from \$55,662 for the fiscal year ended June 30, 1965 to \$9,570 for the recently completed 1966 fiscal year. This result was due mainly to extraordinarily poor growing weather in the fall of 1965 which resulted in reduced flower production, possibly to the extent of \$250,000. Since production and other costs remain relatively stable regardless of the size of the crop, a large proportion of this amount reflected itself in lower profits. It should be noted that these adverse weather conditions were most unusual and occur only infrequently.

In addition, the Company elected to almost double its expenditures on greenhouse maintenance and repair from \$69,098 to \$127,604, principally in order to improve the older facilities. The results of this program will be evident in the coming years.

Consolidated sales for the fiscal year were \$6,028,956, an increase of \$340,777 over the previous year (after including the six months sales of Walter E. Calvert Limited prior to merger in order to place the figures on a comparative basis).

As a result of increasing costs of operation, the Company has raised the prices of its products during the year and further price increases cannot be ruled out.

Sales during the months of July and August 1966 show an increase of 5% over the corresponding period last year, which augurs well for the current year.

President's Report (continued)

During the year the Company had a cash flow of \$193,709 which was obtained from profits and depreciation in the amount of \$138,856 and land sales and mortgage repayments of \$54,853. The Company invested \$146,395 of these funds in new equipment and machinery and other fixed assets. A substantial portion of this amount was spent on carbon dioxide producing equipment. The addition of carbon dioxide to the air in greenhouses is a recent development and results in a superior bloom and stronger, healthier growing stock. Further funds were applied to repay \$145,046 of funded debt. Working capital as a result was reduced by \$89,632 to \$386,513. Capital expenditures for the current year are estimated at about half those of last year.

The Company is continuing its policy of disposing of land not essential to its operations. Total land sales amounted to \$335,710, of which \$35,853 was received in cash and \$299,857 in the form of first mortgages. Funds received in the course of the principal repayment of these mortgages will be applied to reduce the funded indebtedness of the Company.

Your management is continually striving for more efficient production, the continued integration of operations and systems and the strengthening of the management team. In this regard we are pleased to announce that Mr. William J. Walker, C.A. has joined our staff as Controller. He will be in charge of all accounting and office management and will advise management on all financial matters. Mr. Walker was formerly with a large firm of chartered accountants.

Your management is more determined than ever to make Calvert-Dale Estates Limited a profitable company and is confident that this goal will be attained.

On behalf of the Board of Directors and on my own personal behalf, I wish to express deep regret at the death of Mr. Cecil I. Delworth who was a director of our Company. Mr. Delworth in his lifetime made a great contribution to the North American flower industry and his sincere devotion and dedication to the affairs of the Company will long be remembered and appreciated.

JACK E. CALVERT,
President and General Manager
On behalf of the Board of Directors.

Brampton,
October 3, 1966

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Calvert-Dale Estates Limited and subsidiary companies as at June 30, 1966 and the consolidated statements of income and deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of income and deficit present fairly the financial position of the companies as at June 30, 1966 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the accompanying consolidated statement of source and application of funds for the year ended June 30, 1966. In our opinion the statement presents fairly the sources and applications of funds for the year.

Toronto, Canada
September 2, 1966

GUNN, ROBERTS and CO.

Chartered Accountants.

Calvert-Dale

and subsidiaries

CONSOLIDATED BALANCE SHEET

| ASSETS | | 1966 | 1965 |
|---|----|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash | \$ | 79,897 | \$ 6,549 |
| Accounts receivable | | 802,189 | 692,620 |
| Inventories of resale merchandise and production supplies valued at the lower cost or net realizable value | | 687,259 | 625,879 |
| Sundry deposits and prepaid expenses | | 65,470 | 66,984 |
| | | <u>1,634,815</u> | <u>1,392,032</u> |
| MORTGAGES RECEIVABLE (note 2) | | <u>293,358</u> | <u>12,500</u> |
| FIXED ASSETS at cost | | | |
| Buildings | | 1,172,322 | 1,090,401 |
| Machinery and equipment | | 220,284 | 195,259 |
| Motor vehicles | | 117,814 | 90,018 |
| Roadways | | 21,924 | 21,924 |
| | | <u>1,532,344</u> | <u>1,397,602</u> |
| Less accumulated depreciation | | 370,394 | 242,473 |
| | | <u>1,161,950</u> | <u>1,155,129</u> |
| Land | | 806,643 | 1,106,367 |
| | | <u>1,968,593</u> | <u>2,261,496</u> |
| OTHER ASSETS AND DEFERRED CHARGES | | | |
| Deferred organization and financing expense | | 41,927 | 41,927 |
| Planting expenses applicable to following year | | 82,931 | 80,743 |
| Patents, trademarks and goodwill at cost | | 57,269 | 57,269 |
| | | <u>182,127</u> | <u>179,939</u> |
| EXCESS OF COST OF SHARES IN SUBSIDIARY COMPANIES OVER EQUITY IN THE UNDERLYING ASSETS | | 146,244 | 146,244 |
| | | <u>\$4,225,137</u> | <u>\$3,992,211</u> |

states Limited

companies

SHEET — JUNE 30, 1966

LIABILITIES

| | <u>1966</u> | <u>1965</u> |
|---|------------------|------------------|
| CURRENT LIABILITIES | | |
| Bank indebtedness (note 3) | \$ 605,970 | \$ 180,300 |
| Accounts payable and accrued liabilities | 482,332 | 600,587 |
| Payments on long term debt due within one year | 160,000 | 135,000 |
| | <u>1,248,302</u> | <u>915,887</u> |
| LONG TERM DEBT less amount included in current liabilities (note 4) | <u>1,910,071</u> | <u>2,055,117</u> |

SHAREHOLDERS' EQUITY

| | | |
|--|--------------------|--------------------|
| Capital stock (notes 4 and 5) | | |
| Authorized—1,000,000 shares without par value | | |
| Issued — 600,007 shares | 1,340,007 | 1,340,007 |
| Contributed surplus arising from sale of share purchase warrants | 7,500 | 7,500 |
| | <u>1,347,507</u> | <u>1,347,507</u> |
| Deduct deficit | 280,743 | 326,300 |
| | <u>1,066,764</u> | <u>1,021,207</u> |
| | <u>\$4,225,137</u> | <u>\$3,992,211</u> |

On behalf of the Board:

J. E. Calvert

President, Director

G. H. Thompson

Treasurer, Director

Calvert-Dale Estates Limited

CONSOLIDATED STATEMENT OF INCOME

Year ended June 30, 1966

| | <u>1966</u> | <u>1965</u> <u>(Note 6)</u> |
|--|-----------------|--------------------------------|
| Sales | \$6,028,956 | \$4,835,613 |
| Cost and operating expenses | 5,716,094 | 4,548,281 |
| Income before the following items | <u>312,862</u> | <u>287,332</u> |
| Depreciation | 129,286 | 99,621 |
| Interest on long term debt | 145,982 | 114,540 |
| Other interest | 28,024 | 18,565 |
| Income taxes, subsidiary companies | | (1,056) |
| | <u>303,292</u> | <u>231,670</u> |
| Net income for the year | <u>\$ 9,570</u> | <u>\$ 55,662</u> |

CONSOLIDATED STATEMENT OF DEFICIT

Year ended June 30, 1966

| | | |
|------------------------------------|-------------------|-------------------|
| Deficit at beginning of year | <u>\$ 326,300</u> | <u>\$ 375,995</u> |
| Deduct | | |
| Net income for the year | 9,570 | 55,662 |
| Profit on sale of land | 35,987 | (5,967) |
| | <u>45,557</u> | <u>49,695</u> |
| Deficit at end of year | <u>\$ 280,743</u> | <u>\$ 326,300</u> |

Calvert-Dale Estates Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended June 30, 1966

| SOURCE OF FUNDS | 1966 | 1965 |
|---|-------------------|------------------|
| Net income for the year | \$ 9,570 | \$ 55,662 |
| Add depreciation not requiring current outlay | 129,286 | 99,621 |
| | <hr/> 138,856 | <hr/> 155,283 |
| Long term borrowing | | 1,090,000 |
| Proceeds from sale of land | | |
| (less mortgages receivable \$299,857) | 35,853 | |
| Reduction in mortgages receivable | 19,000 | |
| Other items | | 9,266 |
| | <hr/> 193,709 | <hr/> 1,254,549 |
| APPLICATION OF FUNDS | | |
| Long term debt repaid or included in | | |
| current liabilities | 145,046 | 164,883 |
| Purchase of land less disposals | | 132,618 |
| Purchase of other fixed assets | | |
| (less \$10,288 proceeds on disposals) | 136,107 | 559,832 |
| Increase in deferred organization, financing | | |
| and share issue expense | | 12,330 |
| Increase in patents, trademarks and goodwill | | 57,268 |
| Mortgage receivable | | 12,500 |
| Miscellaneous items | 2,188 | 18,272 |
| | <hr/> 283,341 | <hr/> 957,703 |
| (DECREASE) INCREASE IN WORKING CAPITAL | <hr/> \$ (89,632) | <hr/> \$ 296,846 |
| Working capital at beginning of year | \$ 476,145 | \$ 179,299 |
| (Decrease) increase in working capital | (89,632) | 296,846 |
| | <hr/> \$ 386,513 | <hr/> \$ 476,145 |

Calvert-Dale Estates Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUBSIDIARY COMPANIES CONSOLIDATED

The consolidated financial statements reflect a consolidation of Calvert-Dale Estates Limited with its subsidiary companies, Dales of Brampton Limited, H. C. McKinney, Ltd. and Growers' Wholesale Florists Inc.

2. MORTGAGES RECEIVABLE

| | |
|--|------------------|
| 5 $\frac{1}{4}$ % due February 1, 1973 | \$268,358 |
| 7% due \$2,000 in each of the years 1966 to 1969, balance due September 1, 1970 | 25,000 |
| | <u>\$293,358</u> |

The mortgage receivable of \$12,500 at June 30, 1965 was paid in September, 1965.

3. BANK INDEBTEDNESS

The bank indebtedness of \$605,970, including \$182,170 arising from outstanding cheques, is secured by a general assignment of book debts and crops pledged under Section 88 of the Bank Act.

4. LONG TERM DEBT

| | Original Borrowing | Outstanding | |
|---|-----------------------|--------------------|--------------------|
| | | 1966 | 1965 |
| MORTGAGES | | | |
| 7 $\frac{1}{2}$ % due January 1, 1980 payable \$8,500 quarterly | \$ 500,000 | \$ 455,226 | \$ 483,231 |
| 7 $\frac{1}{2}$ % due January 1, 1980 payable \$6,500 quarterly | 400,000 | 369,846 | 386,886 |
| 6% due January 1, 1975 payable \$50,000 annually | 500,000 | 450,000 | 500,000 |
| CONVERTIBLE DEBENTURES | | | |
| 7 $\frac{1}{4}$ % sinking fund debentures ma- turing December 15, 1976, annual sinking fund instalment of \$20,000 | 350,000 | 310,000 | 330,000 |
| 7% subordinated debentures maturing October 1, 1974 | 150,000 | 150,000 | 150,000 |
| NOTES PAYABLE | | | |
| 6% repayable \$5,000 per year in each of the years 1966 to 1973 | 50,000 | 35,000 | 40,000 |
| BANK LOAN | | | |
| Repayable in seven annual payments of \$25,000 commencing September 3, 1966, balance payable September 3, 1973 | 300,000 | 300,000 | 300,000 |
| | <u>\$2,250,000</u> | <u>2,070,072</u> | <u>2,190,117</u> |
| Less amount due within one year, included in current liabilities | | 160,000 | 135,000 |
| | | <u>\$1,910,072</u> | <u>\$2,055,117</u> |

4. LONG TERM DEBT (continued)

CONVERTIBLE DEBENTURES

The sinking fund debentures are non-callable otherwise than for sinking fund purposes until December 15, 1966 and thereafter may be called for redemption at a declining premium commencing at 4½%. The debentures are convertible into shares of the company at the following prices per share:

| | |
|---|------------------|
| If converted on or before December 15, 1966 | \$3.00 per share |
| If converted after December 15, 1966 and on or before December 15, 1971 | \$5.00 per share |
| If converted after December 15, 1971 and on or before December 14, 1976 | \$7.00 per share |

The subordinated debentures may be called for redemption at a declining premium commencing at 5% and are convertible into shares of the company at the price of \$1.50 per share up to September 30, 1974.

BANK LOAN (Long term debt portion)

Under certain circumstances the bank has the right to require earlier repayment of the loan. The company has issued a mortgage bond in the amount of \$300,000 which has been hypothecated with the bank as collateral security for the loan.

5. SHARE WARRANTS AND OPTIONS

Warrants expiring December 15, 1970 have been issued entitling the holders to purchase 150,000 shares at the following prices:

| | |
|---|------------------|
| On or before December 15, 1967 | \$4.00 per share |
| Thereafter and on or before December 15, 1970 | \$5.00 per share |

There have been 30,000 shares of the company set aside for purchase by certain full-time employees. Of these, options on a total of 14,000 shares to 14 employees are outstanding and are exercisable on or before June 25, 1968 at a price of \$2.60 per share. No options were exercised during the year.

6. OPERATIONS

The statement of income includes the results of operations from January 1, 1965 derived from the purchase of the business and operating assets of Walter E. Calvert Limited.

DIRECTORS

W. A. BEATTY

J. E. CALVERT*

B. R. P. MacKENZIE, Q.C.

M. GAASENBEEK*

T. A. W. DUNCAN

P. LATCHMAN

MISS P. MARSOLAIS

G. H. THOMPSON*

A. H. ZALDIN, Q.C.*

**Members of Executive Committee*

OFFICERS

W. A. BEATTY, *Chairman of the Board*

J. E. CALVERT, *President and General Manager*

MISS P. MARSOLAIS, *Vice-President*

WILLIAM J. WALKER, C.A., *Controller*

G. H. THOMPSON, *Treasurer*

A. H. ZALDIN, Q.C., *Secretary*

REGISTRAR AND TRANSFER AGENT

CANADA PERMANENT TRUST COMPANY

Toronto and Montreal

AUDITORS

GUNN, ROBERTS and Co., Toronto

BANK

TORONTO-DOMINION BANK

LISTED ON

TORONTO STOCK EXCHANGE

PLANT AND HEAD OFFICE

Brampton, Ontario

BRANCHES

Montreal • Toronto